



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 27, 2003

### **S. 1156** **Veterans Health Care Authorities Extension and** **Improvement Act of 2003**

*As ordered reported by the Senate Committee on Veterans' Affairs on September 30, 2003*

#### **SUMMARY**

S. 1156 would extend an authorization that the Department of Veterans Affairs (VA) provide nursing home care to certain veterans. In addition, the bill would:

- Affect annuities for certain part-time employees of VA,
- Provide new health care benefits to some Filipino veterans,
- Require that VA provide more mental health care to veterans than it currently does,
- Establish a pilot program to provide assisted living services to veterans,
- Authorize appropriations for major construction,
- Create and authorize appropriations for a new fund to pay for the demolition and removal of obsolete, dilapidated and hazardous structures on VA property,
- Change the names of four health care facilities operated by VA, and
- Authorize VA to lease three medical facilities.

CBO estimates that enacting this bill would increase direct spending by \$4 million in 2004, \$28 million over the 2004-2008 period, and \$62 million over the 2004-2013 period. Additionally, S. 1156 would modify provisions governing discretionary spending for veterans' health care and construction programs, which CBO estimates would result in outlays of \$71 million in 2004 and \$451 million over the 2004-2008 period, assuming appropriation of the estimated amounts.

S. 1156 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1156 is shown in Table 1. The costs of this legislation fall within budget functions 600 (income security) and 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1156 (By fiscal year, in millions of dollars)

	2004	2005	2006	2007	2008
<b>CHANGES IN DIRECT SPENDING</b>					
Estimated Budget Authority	4	6	6	6	6
Estimated Outlays	4	6	6	6	6
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	135	100	101	64	61
Estimated Outlays	71	114	120	80	66

### BASIS OF ESTIMATE

This estimate assumes that S. 1156 will be enacted by the end of calendar year 2003 and that the necessary amounts for implementing the bill will be appropriated for each year.

### Direct Spending

The Department of Veterans Affairs Health Care Programs Enhancement Act of 2001 (Public Law 107-135), enacted on January 23, 2002, made changes to the way retirement benefits are determined for federal retirees who performed part-time service as registered nurses, physician's assistants, and certain dental technicians at VA prior to April 7, 1986, and retired on or after the enactment date of that legislation. That legislation treated pre-April 7, 1986, part-time service as full-time service for the purposes of calculating retirement annuities.

S. 1156 would extend these changes to the types of workers covered by Public Law 107-135, but who retired between April 6, 1986, and January 23, 2002, by treating their pre-April 7, 1986, part-time service as full-time service for the purpose of calculating retirement annuities. Retirement benefits for these workers currently are set according to a formula that prorates all part-time service performed in these positions. For most other federal workers,

including those covered by Public Law 107-135, part-time service performed prior to April 7, 1986, is treated as full-time service when calculating retirement annuities. In most cases, the changes result in higher retirement benefits.

Information about retirees who would be covered by S. 1156 is limited, but based on data provided by the Office of Personnel Management, CBO estimates that about 1,500 current retirees would have their benefits increased by the bill. CBO estimates that the new formula would increase benefits for affected retirees by 13 percent to 22 percent, depending on how much part-time service was performed prior to April 7, 1986. As a result, CBO estimates that enacting S. 1156 would increase direct spending by \$4 million in 2004, \$28 million over the 2004-2008 period, and \$62 million over the 2004-2013 period (see Table 2).

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 1156  
(By fiscal year, in millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>CHANGES IN DIRECT SPENDING</b>										
Estimated Budget Authority	4	6	6	6	6	6	7	7	7	7
Estimated Outlays	4	6	6	6	6	6	7	7	7	7

### Spending Subject to Appropriation

As shown in Table 3, CBO estimates that implementing S. 1156 would increase discretionary spending for veterans' health care programs and major construction by \$71 million in 2004 and \$451 million over the 2004-2008 period, assuming that appropriations are provided in the authorized and estimated amounts. Individual provisions that would affect discretionary spending are described below.

**Veterans Medical Care.** Federal spending for all veterans medical care totals more than \$25 billion a year. Several sections of the bill would affect medical care for veterans. In total, CBO estimates that implementing these provisions would cost \$64 million in 2004 and \$370 million over the 2004-2008 period.

TABLE 3. ESTIMATED SPENDING SUBJECT TO APPROPRIATION FOR S. 1156  
(By fiscal year, in millions of dollars)

	2003	2004	2005	2006	2007	2008
<b>VETERANS MEDICAL CARE</b>						
Baseline Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	25,279	26,153	26,987	27,890	28,824	29,452
Estimated Outlays	25,677	26,179	26,783	27,655	28,583	29,271
Proposed Changes						
Estimated Authorization Level	0	71	95	96	59	56
Estimated Outlays	0	64	93	96	61	56
Spending Under S. 1156						
Estimated Authorization Level	25,279	26,224	27,082	27,986	28,883	29,508
Estimated Outlays	25,677	26,243	26,876	27,751	28,644	29,327
<b>CONSTRUCTION AND LEASING</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	99	101	103	105	107	110
Estimated Outlays	174	155	130	112	106	105
Proposed Changes						
Estimated Authorization Level	0	64	5	5	5	5
Estimated Outlays	0	7	21	24	19	10
Spending Under S. 1156						
Estimated Authorization Level	99	165	108	110	112	115
Estimated Outlays	174	162	151	136	125	115
<b>SUMMARY OF CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Estimated Authorization Level	0	135	100	101	64	61
Estimated Outlays	0	71	114	120	80	66

a. The 2003 level is the estimated net amount appropriated for that year. No full-year appropriation has yet been provided for fiscal year 2004. The current-law amounts for the 2004-2008 period assume that appropriations remain at the 2003 level with adjustments for anticipated inflation.

*Long-Term Care.* Section 101 would extend a requirement in current law that VA provide nursing home care to veterans that have a disability rating of 70 percent or greater. Under current law, this requirement expires on December 31, 2003. This provision would extend the requirement through December 31, 2008. According to VA, the department currently spends more than \$2 billion for nursing home care. VA provided nursing home care to veterans with disability ratings of 70 percent or greater before the requirement in current law was enacted. According to VA, since enactment of this requirement in 1999, the number of veterans with disability ratings of 70 percent or greater receiving nursing home care from

VA increased from about 1,800 to 2,300 at a cost of about \$56 million in 2002. CBO assumes that 75 percent of that increase resulted from the current requirement to provide such care. Adjusting for inflation, CBO estimates that extending this requirement would cost \$34 million in 2004, and \$254 million over the 2004-2008 period, assuming appropriation of the estimated amounts. Costs are slightly lower in 2004 because the extension would only affect the last nine months of fiscal year 2004.

*Mental Health Programs.* Section 104 would require VA to spend an additional \$25 million a year on mental health care over the 2004-2006 period, above the level spent in 2003 (\$583 million). Under current law, VA is required to spend \$15 million more each year than what they otherwise would have spent on post-traumatic stress disorder and substance use disorders; there is no expiration date associated with this requirement. Under section 104, VA would be required to spend \$25 million more than specified under current law over the 2004-2006 period, but would then not be required to spend any additional amounts after 2006. Thus, CBO estimates that implementing this section would cost \$23 million in 2004, cost \$73 million over the 2004-2006 period, and save \$27 million over the 2007-2008 period, assuming appropriation of the required amounts.

*Health Care for Filipino Veterans.* Under current law, only certain Filipino veterans who served during World War II are eligible for health care benefits from VA. Under section 421 of the bill, any individual who is a veteran of the Philippine Commonwealth Army or a former New Philippine Scout living legally in the United States would be eligible for health care benefits provided by VA. Using information from VA, CBO estimates that in 2004 about 9,500 Filipino veterans would qualify for this new benefit and that they would be classified as Category 5 veterans, based on income and other factors. Based on average enrollment and use rates for Category 5 veterans, CBO estimates that about 35 percent of these veterans would use VA health care benefits in 2004 at an estimated cost of \$5,100 per person. After adjusting for mortality, CBO expects that the number of eligible Filipino veterans using VA health care benefits would grow to 2,900 in 2005 as more of these veterans become aware of the benefit, and then gradually decline to about 1,900 by 2008. Accordingly, CBO estimates that implementing this section would cost \$7 million in 2004 and \$61 million over the 2004-2008 period, assuming appropriation of the estimated amounts.

*Assisted Living Pilot Program.* Section 103 would allow VA to establish another pilot program to help veterans obtain assisted living services for a period of three years. VA currently administers one pilot program to provide these services and, according to VA, expects to spend a total of about \$9 million for this program. Assuming that costs for the new program are similar, CBO estimates that implementing this section would cost less than \$500,000 in 2004 and \$9 million over the 2004-2008 period.

**Construction and Leasing.** S. 1156 contains several sections that would authorize appropriations for major construction projects, the leasing of facilities in three cities, and establish a new fund that would pay for the demolition and removal of obsolete, dilapidated and hazardous structures on VA property. CBO estimates that implementing these sections would cost \$7 million in 2004 and \$81 million over the 2004-2008 period, assuming appropriation of the authorized amounts.

Section 213 would authorize the appropriation of \$34.5 million for the construction of two long-term care facilities. The long-term care facilities would be located in Lebanon, Pennsylvania, and Beckley, West Virginia. Section 201 would create the Department of Veterans Affairs Facilities Demolition Fund for the purpose of removing obsolete, dilapidated, and hazardous buildings and structures on VA property and would authorize the appropriation of \$25 million in 2004 to be deposited into that fund. CBO estimates that implementing these two sections would cost \$3 million in 2004 and \$57 million over the 2004-2008 period, assuming appropriation of the authorized amounts.

Section 213 also would authorize VA to lease three medical facilities for lease payments that together could not exceed \$5 million a year. The three medical facilities would be located in Denver, Colorado; Pensacola, Florida; and Boston, Massachusetts. While the bill does not specify the length of the leases, according to VA, it expects to lease these facilities for up to 20 years. The actual length of each lease will depend on the results of an ongoing process that VA is using to determine its future construction and leasing needs. Based on information from VA, CBO believes these leases would meet the criteria for an operating lease. CBO estimates that implementing these leases would cost \$4 million in 2004 and \$24 million over the 2004-2008 period, assuming appropriation of the authorized amounts.

S. 1156 also would raise the threshold for projects to be financed out of the appropriation for construction of major medical facilities from \$4 million to \$9 million. (Thus, under the bill, projects costing up to \$9 million would be considered minor construction.)

**Naming Provisions.** S. 1156 also contains four provisions that would change the names of health care facilities operated by VA. Section 221 would name the VA outpatient clinic in Horsham, Pennsylvania, as the “Victor J. Saracini Department of Veterans Affairs Outpatient Clinic.” Section 222 would name the VA health care facility located at 820 South Damen Avenue in Chicago, Illinois, as the “Jesse Brown Department of Veterans Affairs Medical Center.” Section 223 would name the VA Medical Center in Houston, Texas, as the “Michael E. DeBakey Department of Veterans Affairs Medical Center.” Finally, section 224 would name the VA medical center in Minneapolis, Minnesota, as the “Paul Wellstone Department of Veterans Affairs Medical Center.” All four sections would require that any reference to such medical center or outpatient clinic in any law, regulation, map, document,

record, or other paper of the United States be considered to be a reference to the medical center or clinic by the new name. CBO estimates that implementing those provisions would have a negligible cost, subject to the availability of appropriated funds.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1156 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATES**

On June 30, 2003, CBO transmitted a cost estimate of H.R. 2357, the Veterans Health Care Improvement Act of 2003, as ordered reported by the House Committee on Veterans' Affairs on June 26, 2003. Section 2 of H.R. 2357, which would authorize the provision of health care to certain Filipino veterans, is similar to section 421 of S. 1156 and CBO's estimated cost is the same for both provisions.

On May 13, 2003, CBO transmitted a cost estimate of H.R. 1908, a bill to name the health care facility of the Department of Veterans Affairs located at 820 South Damen Avenue in Chicago, Illinois, as the "Jesse Brown Department of Veterans Affairs Medical Center," as introduced on May 1, 2003. On May 19, 2003, CBO also transmitted an estimate of H.R. 1562, the Veterans Health Care Cost Recovery Act of 2003, as ordered reported by the House Committee on Veterans' Affairs on May 15, 2003. H.R. 1908 and section 4 in H.R. 1562 are both the same as section 222 in S. 1156.

## **ESTIMATE PREPARED BY:**

Federal Costs: Sam Papenfuss and Geoffrey Gerhardt  
Impact on State, Local, and Tribal Governments: Melissa Merrell  
Impact on the Private Sector: Daniel G. Frisk

## **ESTIMATE APPROVED BY:**

Peter H. Fontaine  
Deputy Assistant Director for Budget Analysis